

Message Text

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ORIGIN NEA-10

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P 262242Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY COLOMBO PRIORITY

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E.O. 11652: N/A

TAGS: BDIS, CE

SUBJECT: PROBLEMS IN SRI LANKA FOR EAGLE SHIRT COMPANY

1. EAGLE SHIRT COMPANY PRESIDENT LEONARD SAULTER CALLED ON DEPARTMENT APRIL 14 TO REVIEW PRODUCTION AGREEMENT HIS COMPANY MAINTAINS WITH LOCAL TEXTILE MANUFACTURER, DASA INDUSTRIES. SAULTER EXPRESSED CONSIDERABLE SATISFACTION WITH WAY IN WHICH AGREEMENT HAS DEVELOPED, WITH DASA'S QUALITY CONTROL, ITS RELIABILITY, AND CEYLONSE FIRM'S EASY RELATIONSHIP WITH EAGLE ENGINEERS IN COLOMBO. ACCORDING TO SAULTER, EAGLE DERIVES CONSIDERABLE PRICE ADVANTAGE FROM THIS ARRANGEMENT AND IS INCLINED TO RELY VERY SUBSTANTIALLY ON SRI LANKA OUTPUT TO MEET EXPANDING U.S. MARKET OPPORTUNITIES. IN SHORT, ACCORDING TO SAULTER, EAGLE IS BANKING MUCH OF ITS FUTURE ON ITS RELATIONSHIP WITH DASA AND ACCESS TO SRI LANKAN PRODUCTION FACILITIES AND IS CONSIDERING SUBSTANTIAL FINANCIAL COMMITMENT TO MAKE TIDHIS POSSIBLE.

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2. SAULTER IDENTIFIED TWO PROBLEMS, HOWEVER. EAGLE PRODUCTION ENGINEERS ON LEAVE IN U.S. HAD SPOKEN OF POSSIBLE POLITICAL PROBLEMS FOR DASA IN EVENT OF CHANGE OF GOVERNMENT, GIVEN DASA'S VERY CLOSE TIES TO THE PRESENT SLFP ADMINISTRATION. SAULTER READILY ACKNOWLEDGED THAT

OUTCOME OF ELECTIONS LATER THIS YEAR AND SUBSEQUENT

DEVELOPMENTS WOULD DETERMINE ANSWER TO THIS PROBLEM.
OF MORE IMMEDIATE CONCERN WERE SERIOUS LOGISTICAL
PROBLEMS IN ASSURING PROMPT OFF-LOADING OF SHIPS AND
CUSTOMS PROBLEMS FOR BOTH IMPORTED RAW MATERIALS AND
FINISHED PRODUCTS FOR EXPORT TO THE U.S.

3. SAULTER TELEPHONED DEPARTMENT APRIL 26 TO REPORT
THAT SUCH PROBLEMS HAVE BECOME MUCH MORE ACUTE, TO THE
POINT OF HAMPERING EAGLE'S OVERALL OPERATIONS. IMPORT
LICENSES HAVE BECOME ALMOST IMPOSSIBLE TO OBTAIN WHILE
CUSTOMS CLEARANCE PROBLEMS HAVE BECOME EXTREMELY DIFFICULT.
SAULTER SAID THAT EAGLE'S COLOMBO-BASED PRODUCTION
ENGINEER DAVID LURER IS SEEKING TO SET UP MEETING ON
THURSDAY, APRIL 28 OF RELEVANT GSL OFFICIALS IN EFFORT
TO IRON OUT THESE PROBLEMS. SAULTER ASKED IF EMBASSY
ECONOMIC OFFICER COULD BE PRESENT AT MEETING, PERHAPS
TO OBTAIN CLEARER PICTURE OF UNDERLYING PROBLEMS.

4. SAULTER ALSO NOTED THAT EAGLE CHAIRMAN MILLER HARRIS
IS FLYING OUT DIRECTLY TO LEND HIS EFFORTS TO SEARCH FOR
SOLUTION. HARRIS HAD BEEN EXPECTING TO TRAVEL TO SRI LANKA
TOWARD LATTER HALF OF MAY BUT NOW IS SCHEDULED TO ARRIVE
IN COLOMBO ON FRIDAY, APRIL 29 AND HAS REQUESTED OPPORTU-
NITY TO MEET WITH AMBASSADOR IF POSSIBLE. NO TIME HAS BEEN
REQUESTED AS HARRIS WILL CONTACT EMBASSY ON HIS ARRIVAL.
SAULTER NOTES THAT HE HAS BEEN IN CORRESPONDENCE WITH THE
AMBASSADOR WHO MAY THEREFORE BE AWARE OF HARRIS' EARLIER
TRAVEL PLANS. SAULTER ALSO NOTED THAT HE INTENDED TO
RAISE PROBLEM WITH CEYLONese AMBASSADOR KANAKARATNE.
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5. DEPARTMENT WOULD APPRECIATE EMBASSY ASSESSMENT OF
EAGLE SITUATION.

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